

VZCZCXYZ8446
OO RUEHWEB

DE RUEHBU #2120/01 2611608
ZNR UUUUU ZZH
O 181608Z SEP 06
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5935
INFO RHMFIUU/HQ USSOUTHCOM MIAMI FL IMMEDIATE
RUEAIIA/CIA WASHINGTON DC IMMEDIATE
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC IMMEDIATE
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC IMMEDIATE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE
RHMFIUU/DEPT OF ENERGY WASHINGTON DC IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE
RUCPDO/USDOC WASHINGTON DC IMMEDIATE

UNCLAS BUENOS AIRES 002120

SIPDIS

SENSITIVE
SIPDIS

TREASURY FOR AFAIBISHENKO, AJEWEL, WBLOCK
E FOR THOMAS PIERCE, WHA FOR WHA/BSC AND WHA/EPSC
EX-IM BANK FOR MICHELE WILKINS
OPIC FOR GEORGE SCHULTZ AND RUTH ANN NICASTRI
PASS USTR FOR SUE CRONIN AND MARY SULLIVAN
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [EFIN](#) [ENRG](#) [PREL](#) [AR](#)

SUBJECT: KIRCHNER PROMOTES INVESTMENT IN ARGENTINA DURING
VISIT TO NEW YORK FOR UNGA, BUT FACES SKEPTICAL PRIVATE
SECTOR

Summary

[11](#). (SBU) President Kirchner travels to New York for the UNGA with the stated objective of enticing U.S. companies to invest in Argentina, even as local press plays up the chilly bilateral relationship. Kirchner has a limited official schedule -- including meetings with UNSG Kofi Annan and Italian Prime Minister Prodi -- and is giving priority to high-profile business events on his schedule, including ringing the opening bell at the NYSE and attending a Council of Americas dinner in his honor. Wall Street bond traders and bankers remain skeptical of the medium term sustainability of Argentina's heterodox economic policy mix and will give him a cautious greeting. However, despite price controls, distortive export tariffs, and increasing government intervention, many U.S. manufacturing and service companies operating in Argentina are profitable and growing, so Kirchner can expect a reasonable amount of private sector attention. End Summary.

[12](#). (SBU) Local media and Post's business contacts report that Argentine President Kirchner's trip to New York City to attend the 61st UN General Assembly meeting will focus on strengthening ties with the U.S. private sector and encouraging additional U.S. foreign direct investment. Although Kirchner is scheduled to speak on September 20 to the UNGA, and will also meet with UN Secretary General Kofi Annan and Italy's Prime Minister Romano Prodi, his focus is reportedly to highlight the role of his administration's fiscal and monetary discipline in building trust in the GoA's management of the economy.

[13](#). (SBU) The highlight of the visit will be Kirchner's breakfast meeting at the New York Stock Exchange on September 20, after which he and his wife, Senator Cristina Kirchner, will ring the opening bell. Government officials are selling this to Argentine media as a special honor, reserved only for those who command the respect and confidence of Wall Street. Kirchner will use this event and the September 21 Council of Americas' (CoA) dinner in his honor to send a strong signal that investors are welcome. Planning Minister Julio De Vido

will make a similar pitch during a BCIU lunch on September 18.

14. (SBU) President Kirchner's wife, Senator Cristina Kirchner, plans separately to participate in several academic events at the Columbia University and the New School, and will also meet with heads of leading Jewish civic organizations in New York. She will reportedly work to dispel the notion that there is growing anti-Semitism in Argentina, and reportedly will also work to downplay any perceived threat to Argentine bilateral relations with the U.S. resulting from the Kirchner administration's strengthening ties to Venezuelan President Chavez.

15. (SBU) Even as the local press has emphasized that Kirchner heads to the U.S. at a time when the bilateral relationship has cooled -- following U.S. votes against and abstentions on IDB loans to Argentina and the U.S. decision to review Argentina's GSP benefits) the media has downplayed the limited official contact scheduled between Kirchner and U.S. officials.

16. (SBU) In addition to Kirchner's government delegation, which includes selected Ministers, Mayors, and Provincial Governors, he is accompanied by a group of prominent local business leaders, including Ernesto Gutierrez, head of airport management company Aeropuertos Argentinas 2000, who will have a separate agenda focused on strengthening commercial ties with the U.S. and other countries in the region.

Comment

17. (SBU) Private international financial institutions, especially on Wall Street, have been vocal in their criticism of Kirchner's heterodox economic policies) price controls, export tariffs, and increasing government intervention -- in the run up to his NYC visit. The IMF has also warned of the GoA's inflationary monetary policy and price controls' adverse impact on investment in key sectors (i.e., energy).

18. (SBU) Despite this skepticism, the Argentine economy continues to grow and large U.S. investors are profitable and selectively increasing investment. Wal-Mart is enjoying growing sales and expanding aggressively, John Deere reports that 2005 was its best year in Argentina since 1954, and both Cargill and GM have invested hundreds of million in new production capacity since 2001/2002. These and other U.S. companies continue to see Argentina as a reasonably important market with long term potential for growth. So, while Kirchner may not receive the warmest welcome from Wall Street, he will likely receive a respectable reception from U.S. companies participating in the NYSE and CoA events. End Comment.
MATERA